

# CONCORDIA UNIVERSITY BUDGET CONVERSATIONS 2023-24

December 2023

T24-89035

CONCORDIA

# WHAT WE PROPOSE TO TALK ABOUT

- Concordia's financial situation at the end of 2022-23 fiscal year
- Our current budget situation, and its impacts and consequences
- How can we tackle this deficit to maintain our long-term financial sustainability?
- Update on the October 13 announcement on tuition fees
- Your questions and comments

# CONCORDIA FINANCIAL SITUATION AT THE END OF 2022-23 FISCAL YEAR

# CONCORDIA FINANCIAL SITUATION AT THE END OF THE 2022-2023 FISCAL YEAR

- 2022-23 deficit as per audited financial statements: \$38.8M, including \$16M for accruals, provisions and write-offs.
- Our lines of credit are at \$162M. These lines of credit are carrying past operating losses.
- Our net long-term debt is at \$274M (\$362M total debt - \$ 88M sinking fund) as at April 30, 2023. This long-term debt has been invested to build new buildings (MB, EV, SP, Science Hub) and major IT systems (SIS, HR, Payroll, Procurement, Finance). The lines of credit and long-term debt have to be considered globally.
- Our total interest expense is as follows:
  - Long-term debt: \$18.7M, 5.2% (\$18,7M / \$ 362M total debt)
  - Line of credit: \$5.7M, 3.5% (\$5.7M / \$162M lines of credit)
- Audited financial statements, SIFU reports and credit rating agencies reports can be found at [concordia.ca/financial-services/statements.html](https://concordia.ca/financial-services/statements.html)

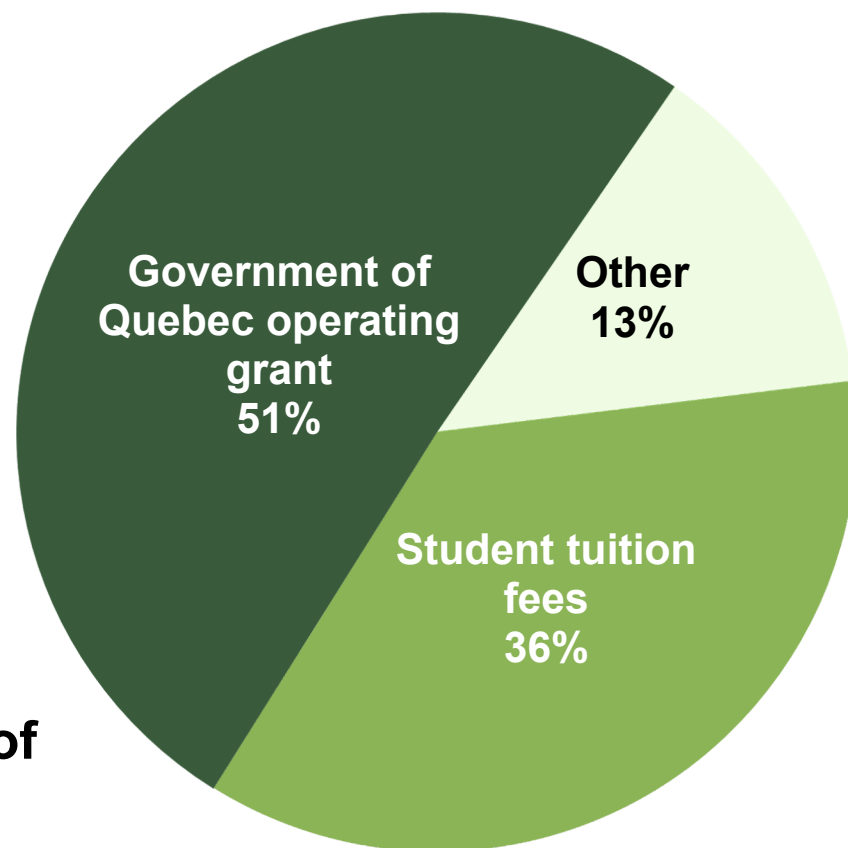
# SOURCES OF REVENUE FOR 2022-23

## Grants

**Government of Quebec grants represent 51% of revenue** (similar to other anglophone universities)

**Note:** Francophone Quebec universities network average: **69%** of total revenue

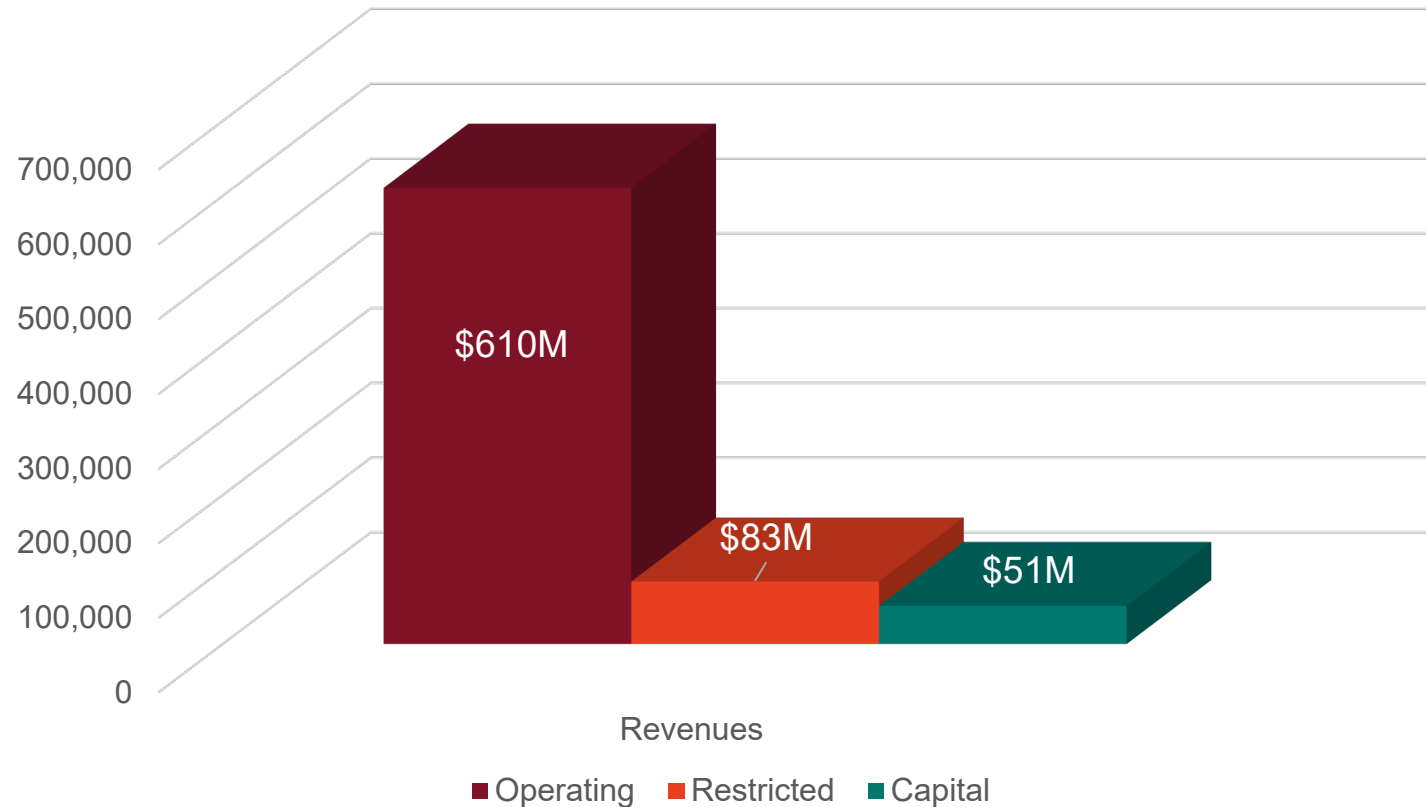
**Government grants will represent less than 50% of our revenues in 2023-24**



## Other sources

**49%** of our revenues depend on the number of students, combined with revenues from ancillary services like residences, conferences, commercial rentals, etc.

# A LOOK AT CONCORDIA'S SOURCES OF REVENUE FOR 2022-23



Concordia has different funds to manage its activities:

- **Operating fund** (our topic for today)
- **Restricted funds**, which includes research activities
- **Capital fund**, to manage our fixed assets (buildings, equipment, ERP, systems)
- **Total revenue for the university: \$744M**

# WHAT IS OUR *MARGE DE MANŒUVRE*?

- Two key measures to evaluate our long-term financial sustainability:
  - Debt-per-FTE: how much can we borrow based on the size of the university (measured in FTEs)
  - Debt burden: what proportion of our total revenues is used to cover our costs of interests
  - Details at Note 22 of the audited financial statements  
[concordia.ca/content/dam/concordia/services/financial/docs/2023-04-30\\_Concordia\\_University\\_ACFSEFINAL.pdf](https://concordia.ca/content/dam/concordia/services/financial/docs/2023-04-30_Concordia_University_ACFSEFINAL.pdf)
- Current situation and future capacity

Measure	Threshold	Actual results	Future Capacity	Future capacity to borrow
<b>Debt-per-FTE</b>	\$12,000 / FTE	\$6,603 / FTE	\$5,397 / FTE	<b>\$170M</b>
<b>Debt burden</b>	5% of total revenues	3.5%	1.5%	<b>\$11M</b>

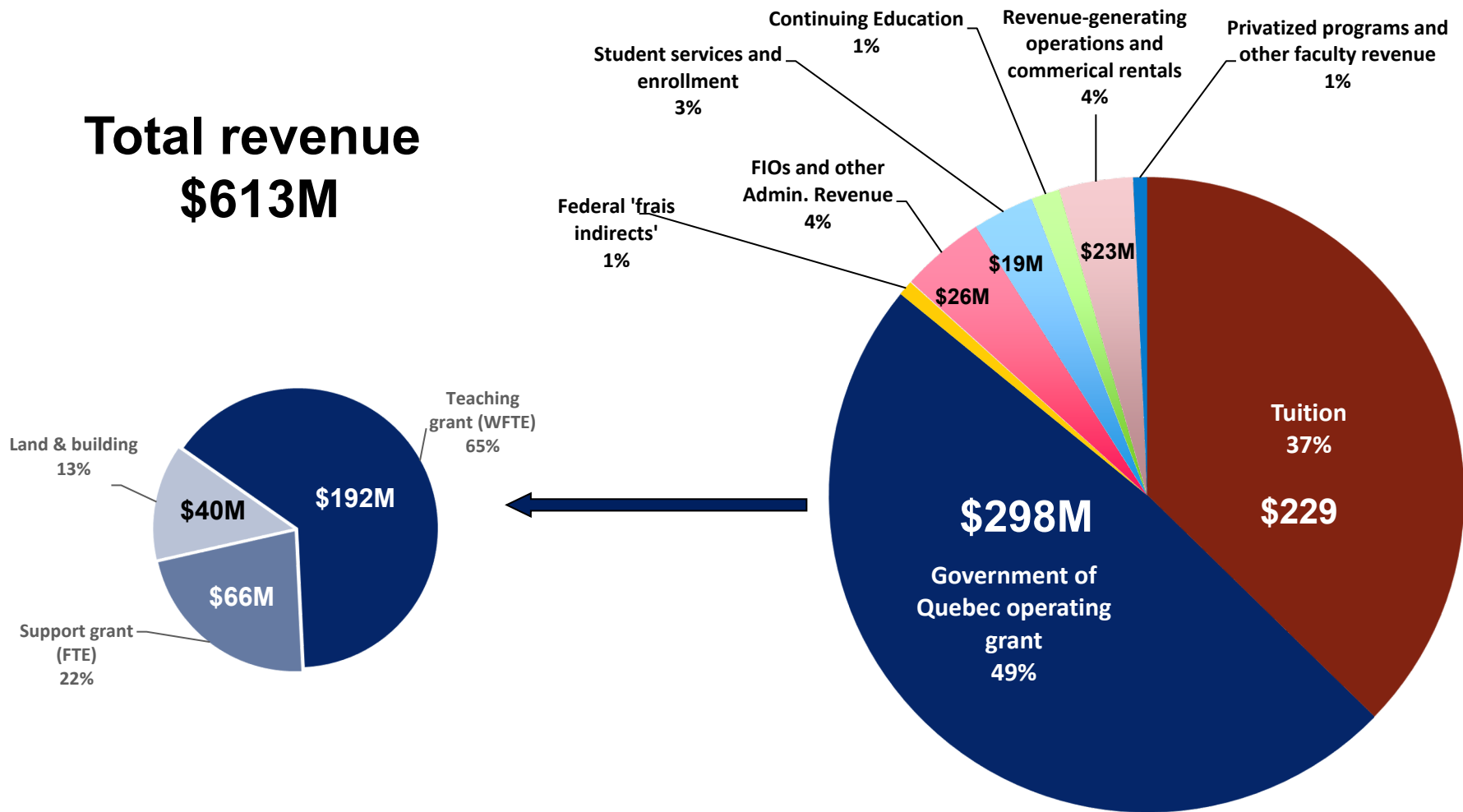
# OUR CURRENT SITUATION



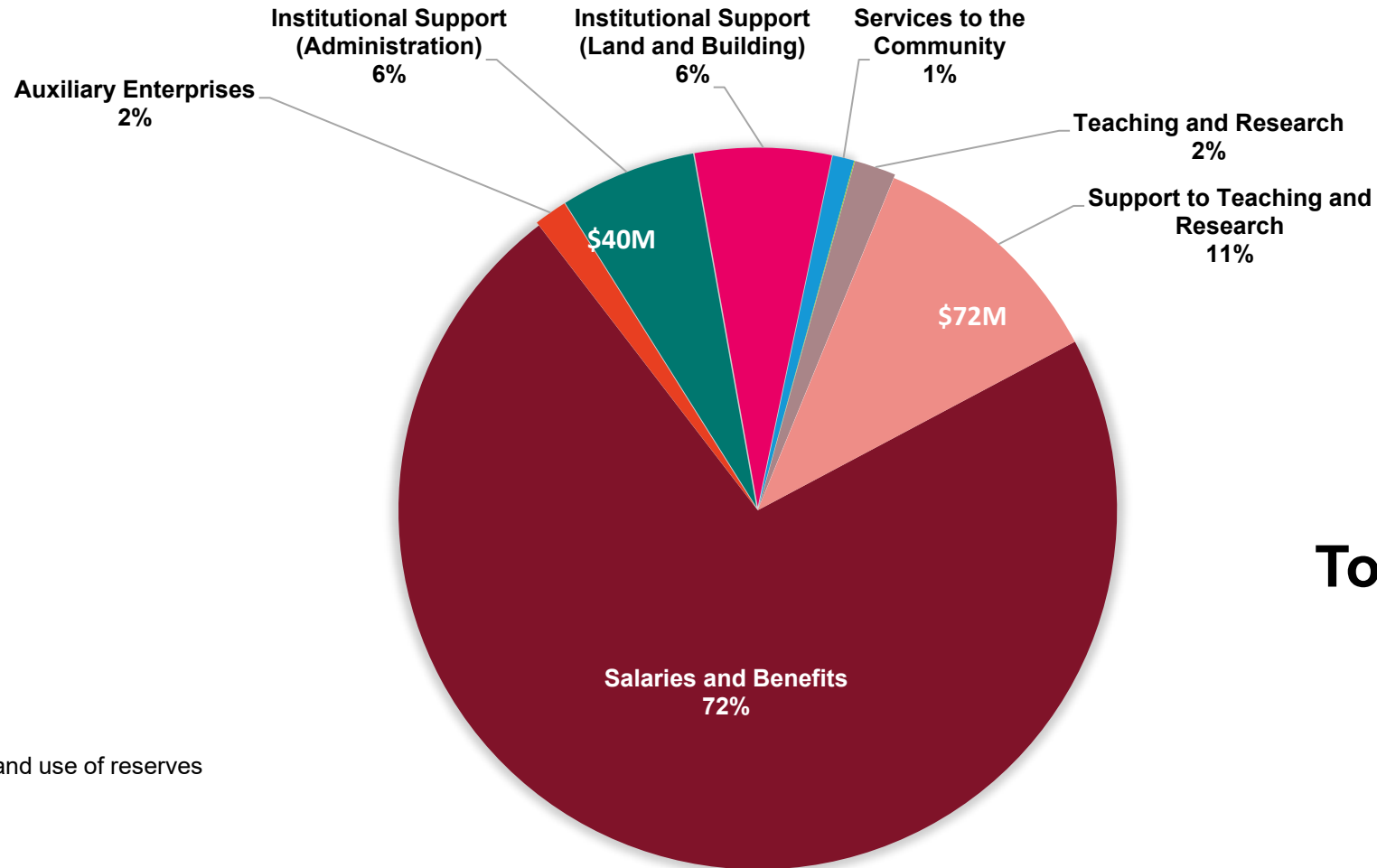
# CONCORDIA 2023-24 OPERATING BUDGET SUMMARY (\$M)

Description	2022-23 Q3 Forecasts	2023-24			Variance	
		Operational activities	President's Transformational Fund	Total 2023-24	Budget 2023-24 vs. 2022-23 Q3	%
<b>Total Revenue</b>	\$592.2	\$613.2		<b>\$613.2</b>	\$21.0	<b>3.5%</b>
<b>Expenses</b>	(\$617.7)	(\$649.6)	(\$4.1)	<b>(\$653.7)</b>	(\$36.0)	<b>5.8%</b>
<b>Use of accumulated reserves</b>		\$9.4		<b>\$9.4</b>	\$9.4	-
<b>Mitigation Plans</b>		\$11.7		<b>\$11.7</b>	\$11.7	-
<b>Operating Surplus (Deficit)</b>	<b>(\$25.5)</b>	<b>(\$15.3)</b>	<b>(\$4.1)</b>	<b>(\$19.4)</b>	<b>\$6.1</b>	<b>23.9%</b>

# PROJECTED REVENUES 2023-24



# PROJECTED EXPENSES 2023-24

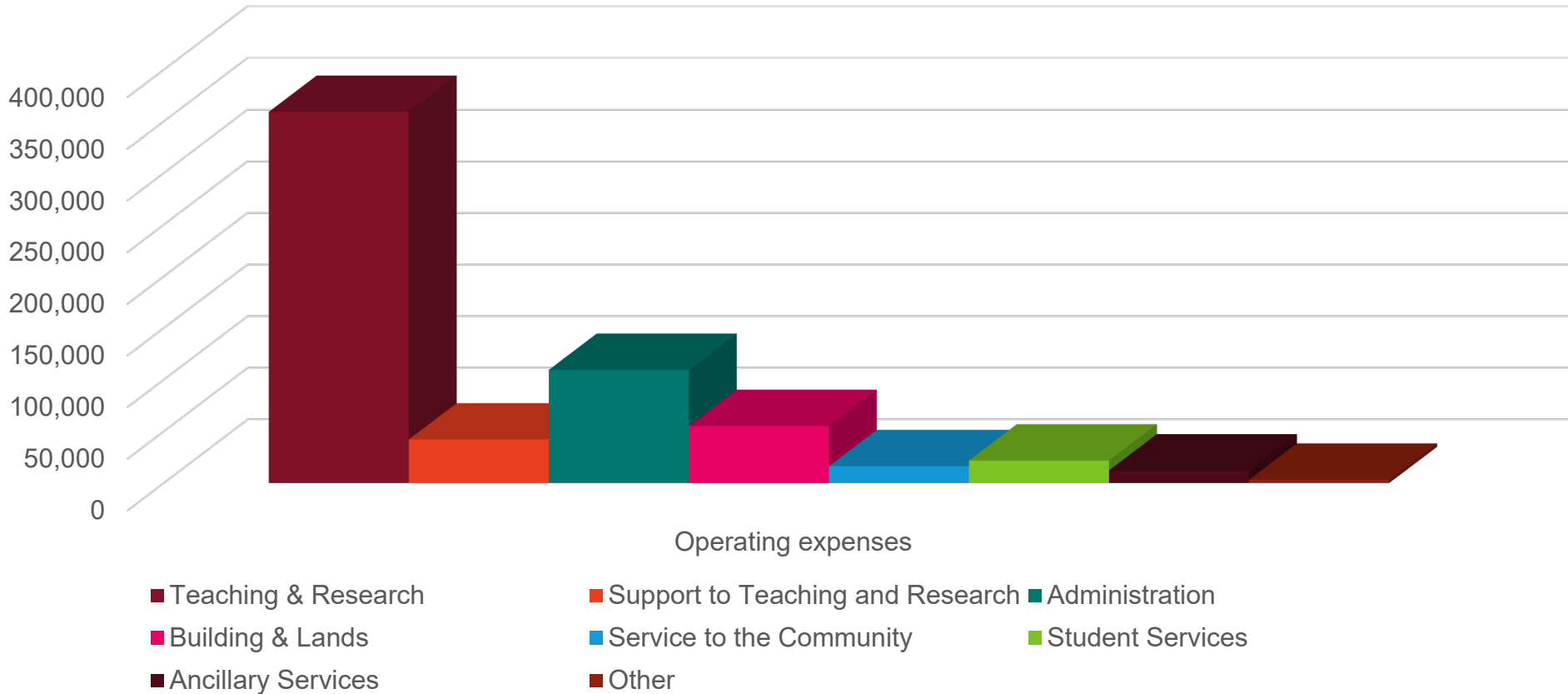


**Total expenses  
\$653.7M \***

\* Before mitigation plan and use of reserves

# BREAKDOWN BY OPERATING EXPENSES BY FUNCTION FOR 2023-24

In thousands of \$



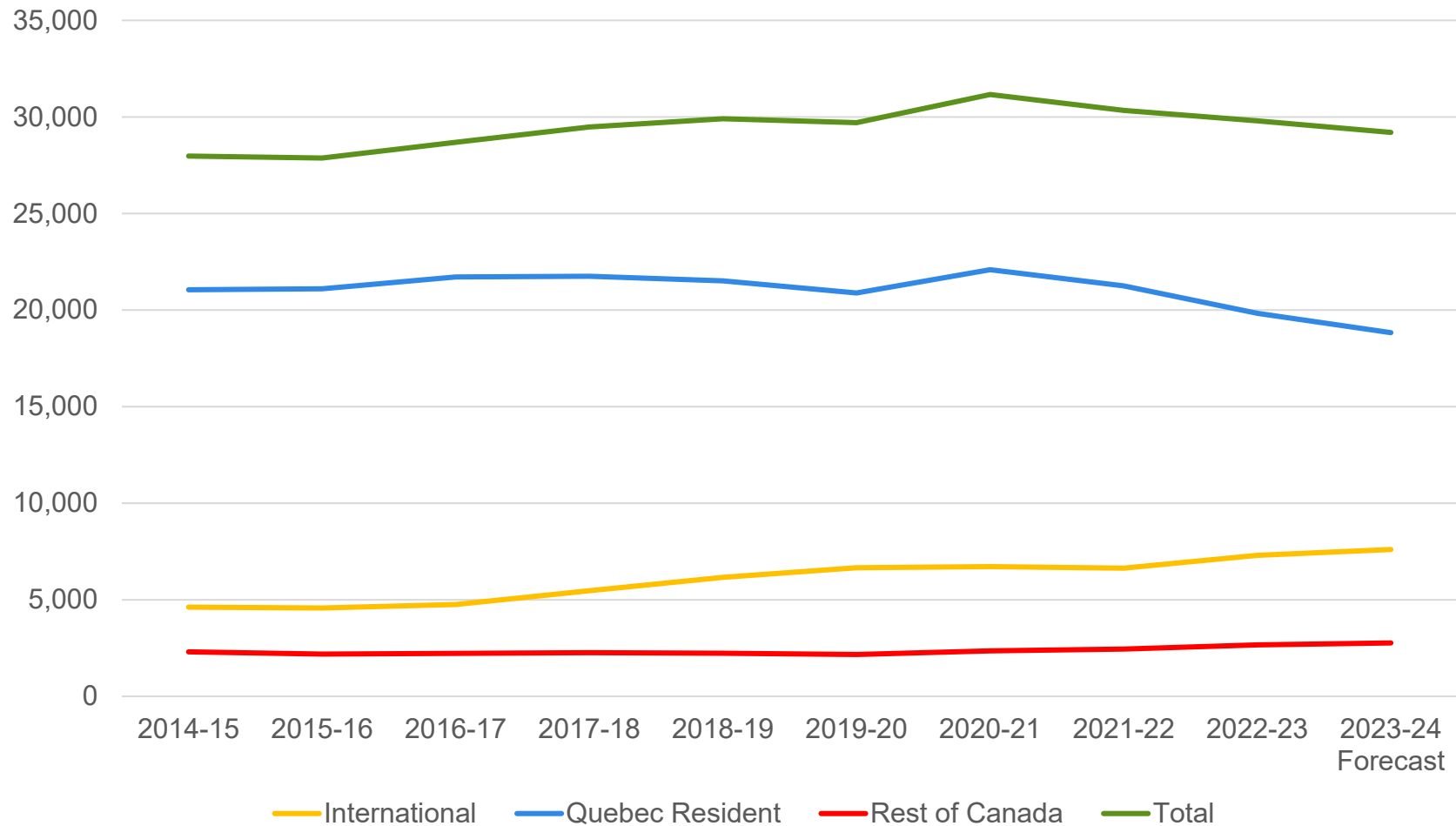
# MOST EXPENSES ARE SALARIES AND FIXED COSTS — DIFFICULT TO MAKE RAPID AND STRUCTURAL CHANGES

## 2022-23 Academic sector operating framework by expenses (\$M)

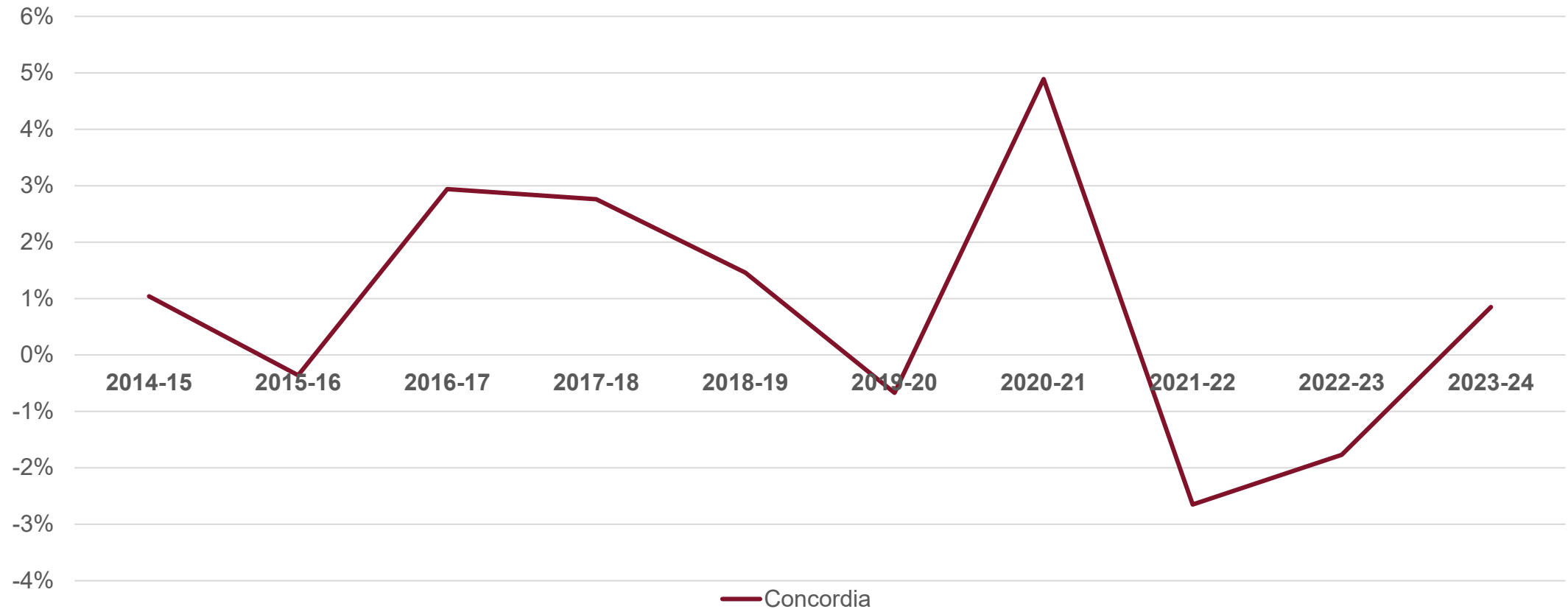
Units	Personnel regular	Personnel temporary	Benefits	% of personnel expenses over total budget	Non-personnel expenses
FAS	\$80.5	\$23.5	\$26.0	97.5%	\$3.4
GCS	\$44.9	\$8.9	\$13.1	86.5%	\$10.4
JMSB*	\$26.5	\$9.5	\$8.9	92.0%	\$3.8
FOFA	\$22.7	\$10.3	\$8.3	96.5%	\$1.5
<b>Total</b>	<b>\$174.6</b>	<b>\$52.2</b>	<b>\$56.3</b>	<b>93.4%</b>	<b>\$19.1</b>

*\*Excluding revenues from privatized programs*

# EVOLUTION OF THE NUMBER OF STUDENTS OVER THE LAST 10 YEARS



# 10-YEAR EVOLUTION OF FTES – YEAR-OVER-YEAR EVOLUTION



# EVOLUTION OF NUMBER OF STUDENTS SINCE 2020-2021

	2020-21		2021-22		2022-23		2023-24		2023-24 vs. 2022-23	2023-24 vs. 2022-23
	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio
<b>Résidents du Québec</b>	22,148	71%	21,370	70%	19,953	67%	20,149	67%	196	1%
<b>Résidents du reste du Canada</b>	2,322	7%	2,418	8%	2,644	9%	2,698	9%	54	2%
<b>Internationaux réglementés</b>	2,044	7%	2,091	7%	2,189	7%	2,418	8%	229	9%
<b>Internationaux déréglementés</b>	4,668	15%	4,544	15%	5,111	17%	4,888	16%	-223	-5%
<b>Total EETP bruts</b>	<b>31,182</b>	<b>100%</b>	<b>30,423</b>	<b>100%</b>	<b>29,897</b>	<b>100%</b>	<b>30,153</b>	<b>100%</b>	<b>256</b>	<b>0.85%</b>



# CONSEQUENCES AND IMPACTS

- **Conditional grant: \$30M**
  - We need to present a plan to the MES, approved by our Board of Governors, to demonstrate how we will return to a balanced budget within the next 5 years
  - We are in the same situation as we were in for the period 2015–2020
  - Recovery plan to be presented to the December 14 Board meeting. Recommendation for approval issued by the Finance Committee of the Board on December 1
  - This plan will mainly be focusing on management of expenses, since capacity of increasing revenues is limited, due to demographic, labour market and post-pandemic impacts on studies

# CONSEQUENCES AND IMPACTS

- **Credit ratings**

- We are rated by two credit rating firms: DBRS Morningstar and Moody's
- Risk of reduction of our ratings
- DBRS Morningstar issued its most recent rating on November 20: "A" stable, but they are concerned with the impacts of the October 13 announcement
- Moody's issued a communication on November 23 that both Concordia and McGill will be impacted by the October 13 announcement
- Still waiting for Concordia's rating update by Moody's (currently Aa3 stable)
- Credit reports can be consulted at [concordia.ca/financial-services/statements.html](https://www.concordia.ca/financial-services/statements.html)

# IF WE FORECAST FOR THE FUTURE

- When we forecast our final 2022-23 results to future years — taking into account cost and salary increases as well as our limited capacity to anticipate an increase in the number of students — we estimate that the structural challenge facing Concordia will soon be in the magnitude of \$65 million to \$75 million. In other words, our expenses could surpass our revenue by approximately this amount if we do not immediately implement additional cost-control measures.
- It is important to make structural changes to avoid such a future situation.

# HOW CAN WE TACKLE THIS DEFICIT TO MAINTAIN OUR LONG-TERM FINANCIAL SUSTAINABILITY?

# IMMEDIATE MEASURES

- Freezing the salaries of the president and his executive team
- Continuing the hiring freeze on non-academic staff, except for mission-critical positions
- Making strategic use of reserve funds as one-time reductions of the current-year deficit in the amount of \$9.4 million
- Applying the \$4.1 million President's Transformational Fund, approved by the Board last May, to the university's overall deficit
- If necessary, stopping transfers of operating funds to capital projects, limiting new IT and facilities initiatives for now and only allowing those with dedicated government funding to proceed (this measure will be implemented only as a last resort since it is important for the university to maintain its capacity to invest in infrastructure)

# AND FOR THE FUTURE

- Three pillars to create structural financial capacity:
  - **Corporate measures:** reduction of payments to the pension deficit (our pension fund is in a surplus position), review of the management of benefits programs (not the design), review of the property and liability insurance program. Magnitude of about \$4M per year
  - **Transformation of the way we are doing things:** shared services, space management, delivery of courses and programs, review of non-critical activities, etc. Target of \$3M to \$4M per year
  - ***Masse salariale:***
    - Attrition, vacant positions management, contracts and casuals
    - We want to avoid layoffs
    - Target in the magnitude of \$6M per year
  - **We will need to make choices**

# UPDATE ON THE OCTOBER 13 ANNOUNCEMENT ON TUITION FEES

# IN SUMMARY

- **Rest of Canada students**
  - Initial announcement: increase of fees from \$9,000 to \$17,000
  - Major risk of reduction of number of students – \$25M to \$30M impact
  - Potential reduction of fees from \$17,000 to \$12,000. In exchange, request to offer *francisation* to 80% of non-francophone students
  - Looking for options to mitigate the impacts
  - Most probably a reduction of number of students, even at \$12,000
- **International students**
  - All international students regulated
  - Probable loss of about \$5,500 per student compared to the current framework
  - We have close to 5,000 students, so probable loss of about \$28M
- **No formal confirmation yet. Final decision to be released by the MES**



# YOUR QUESTIONS AND COMMENTS